

## **ARTICLE 7 - PRICE**

### **Section 7.01**

The price for the Market Hogs supplied under this Contract, excluding the Excess Market Hogs, shall be the sum of the "Base Price" (as defined below), plus or minus (as the case may be) the "Carcass Merit Adjustment" (as defined below). The Base Price shall mean "Market Price" (as defined below) plus or minus any adjustment required pursuant to Section 7.02 below. "Market Price" shall be the base market weighted average carcass basis plant delivered price of the mid-session of the market for Iowa/Southern Minnesota for negotiated sales as reported by the USDA Market News Service (copy attached as Exhibit D) for the trading day prior to the day of delivery, plus \$1.50 per carcass cwt. If the USDA Market News Service discontinues or replaces the Iowa/Southern Minnesota carcass price report (copy attached as Exhibit D), then Buyer shall select a substitute report and/or methodology, which shall be used for determining the Market Price. Buyer shall select a substitute report and/or methodology in a manner such that the Market Price, as determined by use of such substitute, is economically equivalent to the Market Price, as determined by use of the USDA Iowa/Southern Minnesota carcass price report.

The price for the Excess Market Hogs supplied under this Contract shall be the Market Price, plus or minus (as the case may be), the "Carcass Merit Adjustment" (as defined below).

### **Section 7.02**

If the Market Price is within a range of \$52.00 to \$62.00 per carcass cwt. there shall be no adjustment pursuant to Section 7.02. However, if the Market Price is below \$52.00 per carcass cwt., then the Base Price shall be an amount equal to the Market Price increased by an amount equal to one-half (1/2) the difference between the Market Price and \$52.00 per carcass cwt. Correspondingly, if the Market Price is above \$62.00 per carcass cwt., then the Base Price shall be an amount equal to the Market Price reduced by an amount equal to one-half (1/2) the difference between the Market Price and \$62.00 per carcass cwt. As an example, if the Market Price is \$42.00, the Base Price would be \$47.00 ( $\$42.00 + \frac{1}{2} (\$52.00 - \$42.00)$ ), or if the Market Price is \$72.00, the Base Price would be \$67.00 ( $\$72.00 - \frac{1}{2} (\$72.00 - \$62.00)$ ).

## **ARTICLE 8 - CARCASS MERIT ADJUSTMENTS**

### **Section 8.01**

For purposes of this Agreement, the Carcass Merit Adjustment shall be the amount determined pursuant to Buyer's "Carcass Merit Buying Matrix." The "Carcass Merit Buying Matrix" shall be the prevailing carcass merit matrix offered at Buyer's plant at the time of delivery, changing as and when Buyer changes such matrix. Buyer shall give Seller thirty (30) days written notice prior to any changes or revision to Buyer's "Carcass Merit Buying Matrix." The matrix currently offered by Buyer is set forth in Exhibit E attached hereto. The Carcass Merit Adjustment shall be determined in respect of each load of Market Hogs delivered pursuant to this Contract and shall be included in the information in the "kill sheets" (as defined below), for each such load. The parties acknowledge that Buyer's current